

**Governmental Health Group of Rhode Island
Minutes
Regular Meeting of the Board of Directors
Wednesday, March 22, 2006**

A regular meeting of the Board of Directors was held on Wednesday, March 22, 2006, at the Portsmouth Town Hall, 2200 East Main Road, Portsmouth, Rhode Island.

Roll Call

Board of Directors

Jane F. Correia	President	Present
Cynthia Brown	Director	Excused
Shawn J. Brown	Treasurer	Present
Ron Devine	Director	Excused
Miriam Goodman	Director	Present
Nancy Lalli	Director	Present
Robin Reasor	Director	Present
Patricia Watkins	Director	Excused

Alternate Board Members:

David P. Faucher	Vice President	Present
Maureen Macera	Alternate	Excused
Catherine McLeish	Alternate	Present
Edward Mara	Alternate	Excused
Robert Murray	Alternate	Present
Robert Mushen	Alternate	Present
Glenn Steckman III	Alternate	Present
Newport Schools	Alternate	Vacant

Others Present

Lynne Dible	Secretary	Present
Stephen Zubiago	Nixon Peabody LLP	Present
Kevin Walsh	Group Benefits Strategies	Present

Call to Order

President Correia called the meeting to order at 9:35 a.m. Secretary Dible reported that a quorum was present.

Agenda

A motion was made by S. Brown, seconded by D. Faucher, to approve the agenda for the 03/22/06 meeting. The motion was approved unanimously.

Secretary's Report:

A motion was made by S. Brown, seconded by D. Faucher, to approve the minutes (previously emailed) of the meeting held 02/22/06. The motion was approved unanimously.

Treasurer's Report:

A motion was made by R. Murray, seconded by M. Goodman, to approve the Treasurer's Report for period ending 02/28/2006 as presented. S. Brown reported that he added the IBNR amount of \$5.4M to the monthly financials. This amount is based on 1.5 months of paid expenses. He stated that on the March 2006 financials, he will be capitalizing the legal fees and amortizing the cost over three years, in accordance with GASB 10. S. Brown also reported that the extra month of premium expenses would be corrected, to bring the reports to a full accrual basis. The motion was approved unanimously.

Warrants:

A motion was made by S. Brown, seconded by D. Faucher, to approve the April 2006 Warrant Summary. The motion was approved unanimously.

Self-Funded Cost vs. Funding Analysis:

K. Walsh provided an overview of the Analysis report. He reported that the overall Cost/Funding ratio was 81.1% at the end of February 2006, which was a very good position for the GHGRI to be in at this point. The issue of whether the premium amount includes a factor for re-insurance was discussed, and it was clarified that there is a factor for both re-insurance and IBNR included in the premium rates. S. Brown pointed out that there is not a factor added to the premium rates for reserves to cover fluctuations in claims.

Old Business:

Auditor. S. Brown reviewed his recommendation to award the contract for audit services to the accounting firm of Carlin, Charron & Rosen, LLP (CCR). K. Walsh added that the GHGRI should require their health plan to produce an annual SAS 70 Report, which would help to reduce the cost of the annual audit. D. Faucher added that CCR would require us to hire an independent actuary to calculate the required reserve amount. A motion was made by S. Brown, seconded by R. Murray, to award the contract for Audit Services for FY2006 to CCR, with approval for the award of FY2007 and FY2008 to be at a later date. The motion was approved unanimously.

Actuary for IBNR Calculation. S. Brown reviewed his recommendation to award the contract for actuarial services to determine the IBNR calculation and the reserve calculation, to the actuarial firm of Milliman USA. A motion was made by S. Brown, seconded by D. Faucher, to award the contract for Audit Services for FY2006 to Milliman USA, with approval for the award of FY2007 and FY2008 to be at a later date. The motion was approved unanimously.

Billing Adjustments - Retroactivity. K. Walsh explained that M. Gagnon of Blue Cross stated that they will have the ability under the new Stop Loss reporting to handle retroactive billing, effective 7/1/06. S. Brown emphasized that the problem needs to be resolved prior to fiscal year end and the audit. K. Walsh stated that R. Lynch of GBS wants to assume full responsibility of the database for billing purposes and the issue still remains a challenge. He will invite M. Gagnon to the April meeting to discuss in greater detail and try to resolve the issue at that time.

DBR Approval of Plan of Operation. S. Zubiago reported that D. Faucher, J. Correia and he attended the March 21, 2006 Senate Hearing on the GHGRI Legislation S-2732. S. Zubiago made a short presentation at the hearing. T. Dwyer of the RI Interlocal Risk Management Trust attended the hearing, along with J. Torti of the DBR. Senator Bates introduced the bill to the Senate Committee on Financial Services. The Committee put the bill on hold until next week, but overall it received a positive response. There is another meeting scheduled with the DBR on March 29, 2006 at 10:00 am.

New Business:

BCS Stop Loss Coverage. K. Walsh recommended the GHGRI seek competitive quotes for re-insurance effective 7/2006. Discussion followed concerning what level of re-insurance coverage is necessary for the GHGRI. GBS strongly recommends purchasing re-insurance and will prepare quotes in June for July 1. A motion was made by D. Faucher, seconded by S. Brown, to go out to bid for re-insurance quotes through GBS. The motion was approved unanimously.

Compensation of GBS and related items. K. Walsh explained that there was a 3rd party in the marketplace that began a rumor regarding GBS accepting broker commissions. He went on to emphasize that GBS has never and will never accept broker commissions as a consultant for fee for service. GBS is consulting legal counsel to address the issue of these false accusations.

GHGRI Financial Overview, Reserve, IBNR, and Rates for FY06-07. K Walsh reviewed the Financial Overview Report explaining the difference between a fully insured group and a partially self-funded group like GHGRI. K. Walsh explained that as a self-funded group, the GHGRI should not have to fund Blue Cross reserves in addition to their own reserves. . The issue of the initial deposit of \$1.7M was discussed and K. Walsh explained that Blue Cross would adjust the amount of the deposit to what is required and invoice the difference owed each year. This \$1.7M deposit can be used to pay claims that are outstanding, if the Group terminates the contract. He also added that if the GHGRI were to begin with a new provider in the future, there would be an overlap of cash required by both Blue Cross for outstanding claims, and for a deposit to the new provider, that the GHGRI should be aware of. K. Walsh stated that it is conceivable for the GHGRI to be in a position to give out dividends in the future.

Reduction in Legal Fees. J. Correia explained that the proposal from Nixon Peabody to reduce all legal fees associated with the GHGRI issue with the DBR, has been accepted by the Executive Board, and now needs full Board approval. In summary, the proposed reduction in fees includes writing off an outstanding \$325 bill, and a 25% discount on usual and customary fees (using 2005 rates and not 2006 rates, which increased by 5%). This discount does not apply to litigation, unless agreed upon by both parties. A motion was made by S. Brwon, and seconded by D. Faucher, to approve the revised legal fees proposed by S. Zubiago of Nixon Peabody. The motion was approved unanimously

Appointment of Alternates. The issue of a Board member sending a proxy to vote was discussed along with how the rotation of board members and alternates should be handled in order to get equal representation from both the Town/City and the School. The issue will be discussed further at the April 2006 meeting.

Other Items. K. Walsh explained that Blue Cross would now be making Indigent Care Surcharge and Covered Lives Assessment Payments directly to the State of New York, and filing the necessary reports on behalf of the GHGRI. Each member must individually sign off on the Election Form and return it to GBS to coordinate and send off to Blue Cross for processing. He also added that J. Pote would attend the April 2006 meeting to discuss the status of the Medicare Part D reimbursements.

Adjournment: A motion to adjourn at 11:45 a.m. was made by J. Correia, seconded by D. Faucher. The motion was approved unanimously.

The next regular meeting is scheduled for 9:30 a.m. on April 26, 2006 at Portsmouth Town Hall.

Respectfully submitted,

Lynne S. Dible, Secretary